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ABSTRACT

In the 1989 "Edgewood vs. Kirby" decision, the Supreme Court of Texas ordered the Legislature to correct the inequality in funding between the state's richest and poorest school districts. In response to the court's order, the Legislature recently enacted Senate Bill 1 (SB 1) intended to provide Texas' school districts with equal access to enough funds to provide quality educational programs. By the 5th year, with sufficient increases in state funding, districts that are identical except for their property wealth should have the ability to raise the same amount of revenue per pupil at the same tax rate, equalizing the quality of education for all the state's students. SB 1 also establishes several new programs designed to improve the efficiency and quality of school programs and operations. Three charts illustrate the changes in school funding and total costs of SB 1, and the amounts of 1990-91 revenue and spending measures. Appended are five charts that are indicators of Texas' economic status for the past year; eight additional charts that show other pertinent data; a table that summarizes production/consumption of six commodities; and three state financial tables. (MLF)

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A Special

# FINANCIAL REPORT

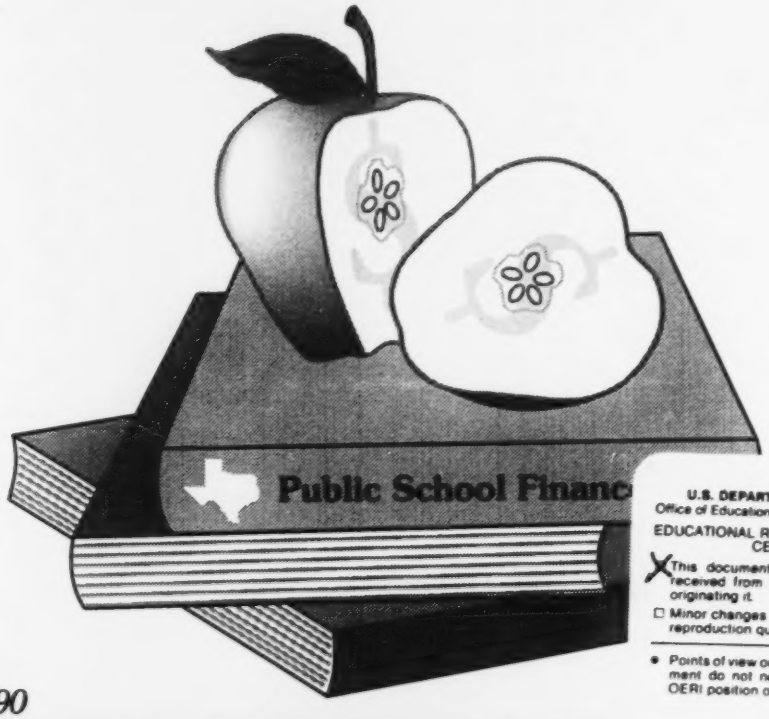
Issue 90:7

# FISCAL NOTES

★ Texas stats: pages 8-9

# From the Capitol to the Schoolhouse

## *An Analysis of the 1990 Education Finance Act*




*July 1990*

*Bob Bullock, Texas Comptroller of Public Accounts*

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# A Message From Bob Bullock

Education is the biggest single expenditure our state and local governments make. Our education system is the most important factor in determining how well Texas' economy performs in the future. Quality schools will improve the job outlook for our youth, while bringing more and better jobs to the state.

But many children in our poorest school districts can't obtain a quality education. The failures of our school system are only too evident, when science labs can't afford the equipment they need. When children are forced to attend class in overcrowded "temporary" buildings. When teachers try to teach computer science without any computers.

These problems have been neglected for too long. But last year, Texas' Supreme Court finally forced the state to act. And now, after months of debate, the Legislature has approved a plan to spend millions more on our neediest schools. This document outlines the details of that plan, Senate Bill 1.

SB 1 will not solve all the problems of Texas' schools. We don't know yet whether it will fully satisfy the courts. But it's a long-awaited step in the right direction.

As high as the costs of reform may be, they seem trivial compared to the cost of doing nothing. Texas is headed into a new century and a new economy, whether we like it or not. And if our schools aren't as good as we can make them, we're not going to be able to compete.

**BOB BULLOCK**
**Comptroller of Public Accounts**

# From the Capitol to the Schoolhouse

## An Analysis of the 1990 Education Finance Act

In 1989, the Supreme Court of Texas ordered the Legislature to correct a long-standing injustice—the inequality in funding between the state's richest and poorest school districts.

The court's decision in the *Edgewood vs. Kirby* case reaffirmed what many have long believed: Drastic differences in property wealth among Texas' local school districts lead to unequal tax revenue, unequal school funding and unequal educational opportunity.

In response to the court's order, the Legislature recently enacted new legislation, Senate Bill 1 by Senator Carl Parker of Port Arthur, which is scheduled to take effect for the school year that begins in September 1990. SB 1 is intended to provide Texas' school districts with equal access to enough funds to provide quality educational programs.

The bill contains a number of provisions intended to increase the quality and efficiency of public education. But whether the court approves SB 1 as a settlement of the *Edgewood* case will depend on how it views the equity provisions of the bill.

Providing equity will not be cheap. To pay for the reforms, the Legislature has appropriated $528 million in new state spending in fiscal 1990 and 1991; the new education bill calls for total new spending of *at least* $4.2 billion by the end of 1995.

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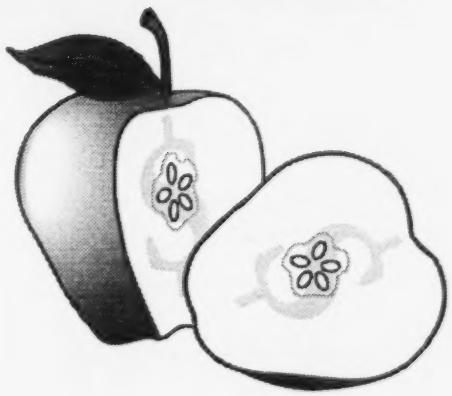


# Senate Bill 1—Targeting Equity

SB 1 addresses the key issue in the *Edgewood* case: financial equity among the more than 1,000 school districts in Texas.

By the court's standards, equity means equal access to funds: School districts that make an equal tax effort should receive the same total of funds from state and local sources needed to educate their students.

In *Edgewood*, the court ruled that the funding system being used did not provide equity. It found that dramatic differences in property wealth among Texas' school districts resulted in huge differences in their ability to raise revenue through property taxes, which supply about half of all school funds.

As a result, many "property-poor" districts with high tax rates still find it difficult to pay for adequate programs, while other, wealthy districts easily support good schools even with relatively low tax rates.

Texas' existing state school aid program tries to make up for these differences in wealth and ability to raise funds. SB 1 establishes equity as an explicit standard in the law.

The bill is designed to establish funding equity in public education within a five-year phase-in period beginning in fiscal 1991, by guaranteeing that nearly all Texas school districts can spend similar amounts on their educational programs by 1995.

Many "property-poor" districts with high tax rates still find it difficult to pay for adequate programs, while other, wealthy districts support good schools with relatively low tax rates.

## Aid for 1990-91

The accompanying appropriations bill, SB 11, appropriates $528 million in additional state public school aid for the 1990-91 two-year budget period. Of this amount, $523 million will be spent on educational improvements during 1991; the remaining $5 million will help complete an ongoing study of statewide school facilities needs.

New state funding under SB 1 will be channeled through Texas' existing Foundation School Program (FSP), which supplies the state aid received by local school districts. The new money will flow through two funding systems, also known as "tiers," in the FSP: the Basic Program and the Guaranteed Yield Program.

## Basic payments raised

Basic Program payments—called the "Basic Allotment"—are made up of both state and local revenue, and are intended to supply local school districts with the necessary funds to maintain a minimum adequate school program.

Currently, the Basic Allotment is $1,477 per student per year. (In addition to this are supplementary payments or "weights" for students enrolled in special programs such as vocational education and instruction for the handicapped.)

SB 1 raises the Basic Allotment to $1,910 per student in the 1991 budget year, and to $2,128 in each of the subsequent four years of the phase-in period. This $2,128 figure is based on current State Board of Education estimates of the actual cost of a basic educational program.

While Basic Allotment payments are made on a per-student basis, the system allows for differences in local wealth by requiring a contribution from school districts called the local fund assignment.

In some relatively wealthy districts, this local assignment pays most or all of their Basic Program costs (the Basic Allotment plus the appropriate supplementary payments for students with special needs), with little or no state aid. Poor districts' local fund assignments pay only a small part of the Basic Program costs, leaving the state to pick up the largest share. But all districts must meet their local assignment to receive any FSP aid.

Under previous law, the local fund assignment for 1990-91 would have required a local property tax rate of 33 cents per $100 of property value. SB 1 will raise the local assignment to 54 cents in budget

**See page 4**

# Changes in the Foundation School Program Funding Provided by Senate Bill 1

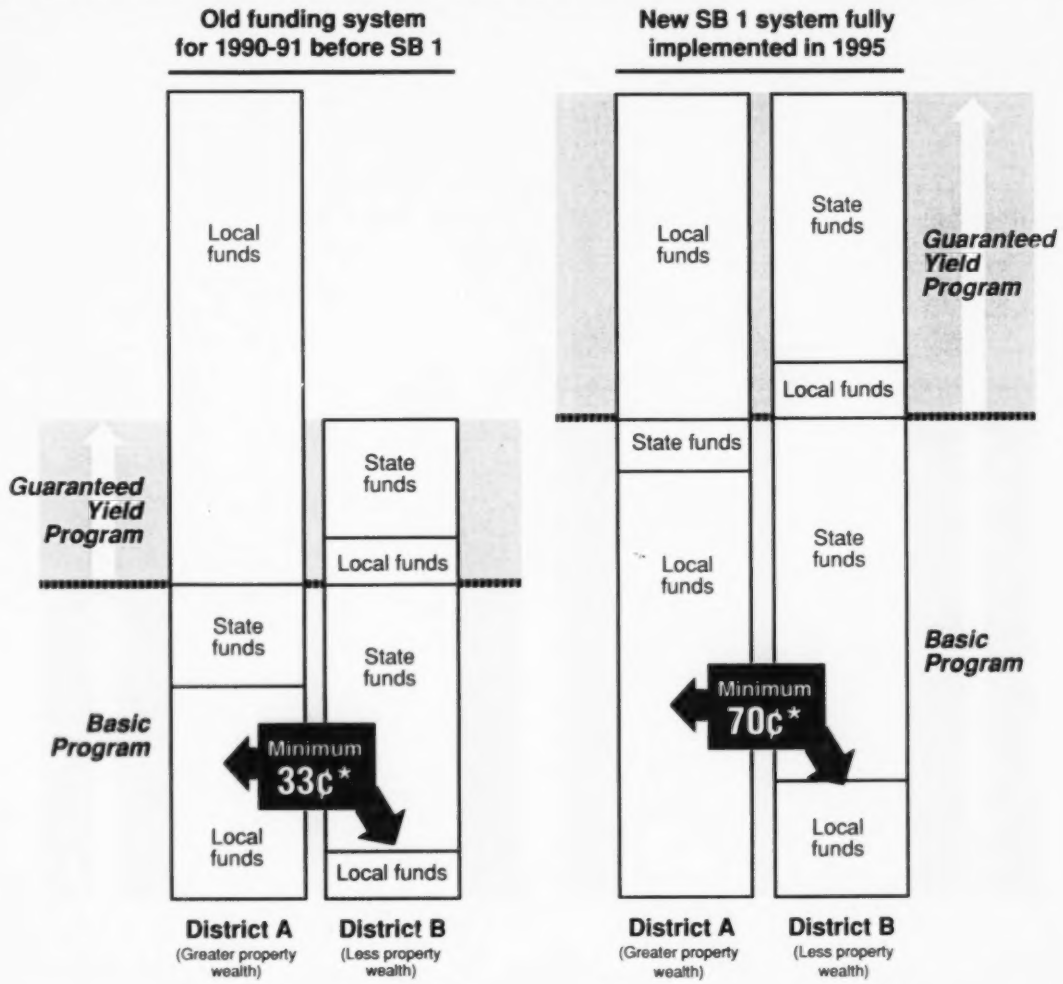
The chart below shows how two school districts that are identical except for their property wealth should be able to supply the same funding for education within five years.

District A and District B have the same number of students, the same special programs, and the same effective tax rate.

But District A has about three times the property wealth per pupil as District B, which allows District A to raise more local funds for its schools.

Under SB 1 provisions for 1990-94, school districts' tax rate to meet the local fund assignment will range from a minimum of 54 cents to 70 cents per $100 property value.

By the fifth year, with sufficient increases in state funding, both districts should have the ability to raise the same amount of revenue per pupil at the same tax rate, equalizing the quality of education for all the state's students.




* Tax rate per $100 property value (local fund assignment).

SOURCE: Bob Bullock, Comptroller of Public Accounts.

year 1991, and increase it to 70 cents by the end of the phase-in period in 1995.

Although this sounds substantial, few districts will need to raise taxes to meet this requirement. In the 1988-89 school year, only about 10 percent of Texas' thousand-plus school districts levied tax rates below 70 cents per $100, and many of these were so wealthy that they received little or no state FSP aid.

### "Guaranteed yield" revised

The second tier of the Foundation School Program, the Guaranteed Yield Program, was created by the Legislature in 1989 to further equalize funding among richer and poorer districts. The Guaranteed Yield Program supplies the necessary funds to improve and enrich schools beyond the minimum level supplied by the Basic Program payments.

Based on a plan originally proposed by Comptroller Bob Bullock in 1988, the Guaranteed Yield Program uses state funds to make up the difference between what a district needs, and what it can raise through its own local taxes at a reasonable tax rate.

The program grants aid based on the tax effort a district is willing to make—that is, the tax rate a district is willing to levy. The Guaranteed Yield Program gives more aid to poor districts, to make up for the fact that the same tax rate can raise dramatically different amounts depending on the value of a district's property.

To receive aid through the current Guaranteed Yield Program, school districts must levy a tax rate of at least 34 cents per $100 valuation—a penny more than the 33-cent local fund assignment necessary to receive Basic Program funds.

For every penny of additional tax rate levied over this amount—every penny of "tax effort" up to a maximum tax rate of 70 cents—the state guarantees enough annual aid to raise combined state and local revenue of $18.25 per student.[1]

So for instance, if a school district's tax base can only generate $10 per student for each penny of tax effort, the state supplies an additional $8.25 per student in guaranteed yield aid. But if the district can raise $18.25 or more for each penny of tax effort, it doesn't receive any state FSP aid beyond the Basic Allotment.

In 1991, SB 1 raises the minimum tax effort to qualify for guaranteed yield to 55 cents per $100, and guarantees $17.90 per student per penny up to a maximum rate of 91 cents. In budget years 1992 through 1995, the minimum effort rises to 71 cents, while the maximum rate for additional aid will be $1.18. The guaranteed total amount of state and local aid for 1992-95 would rise to $26.05 per student per penny of tax effort.

### Per-student funding rises

In the 1988-89 school year, Texas' total state and local funding for public education averaged $3,368 per student. The changes incorporated in SB 1 will give each Texas school district an average $3,811 per student in 1991. This average will rise to $4,009 by 1995, at the end of the five-year phase-in period.

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The financial impact of SB 1 on individual districts will depend primarily on how many change their tax rates to earn more aid under the Guaranteed Yield Program. Preliminary estimates by the Texas Education Agency indicate that, even without a tax increase, 873 of the state's 1,052 school districts will gain additional state aid during the 1991 school year.

Another provision of the legislation will prevent any district from receiving less aid in 1991 than they would have otherwise received before the new legislation. This "hold-harmless" provision will not prevent districts from losing money in subsequent years.

[1] Figures in this section are for "weighted" students; that is, the state and local revenue guaranteed includes per-student payments "weighted" for special programs.

# SB 1—New Programs Established

SB 1 also establishes a number of administrative and formula changes and several new programs. These include the Public Education Development Fund, to be used to reward and support innovative educational programs. The legislation calls for this fund to receive $5 million annually.

Seventy percent of the fund revenue will pay for programs to improve the academic performance of low-achieving students. Other projects eligible for grants from this fund include dropout prevention programs, bilingual training, magnet schools and programs for "latchkey" children whose parents work past school hours.

SB 1 also establishes a new technology fund to bring computers and other new information technology into Texas classrooms. Beginning in the 1992-93 school year, each school district will be eligible for allotments from this fund equal to $30 per student; this allotment will rise each year, reaching $50 per student in the 1996-97 school year.

A third new program, the Tuition Assistance Grant Program, will provide grants for college or university tuition to students from low- and middle-income families who graduate from high school with superior grades in advanced academic programs.

### Targeting quality

In addition to its finance provisions, SB 1 contains other measures designed to improve the efficiency and quality of school programs and operations.

These changes begin at the top. The new legislation changes the way the state's highest education official, the commissioner of education, is appointed. Prior to SB 1, this responsibility had rested solely with the State Board of Education. Beginning in 1991, a candidate for the post will be recommended by the board, and the governor's approval of that candidate must be confirmed by the Senate.

Some provisions of SB 1 are intended to make it easier to mea-

In addition to its finance provisions, SB 1 contains other measures designed to improve the efficiency and quality of school programs and operations.

## Total Costs of Senate Bill 1

Total estimated costs, including increased state Teacher Retirement System (TRS) contributions and other administrative costs, range between $4.2 billion and $6.3 billion for the phase-in period.

| Fiscal year | Minimum additional state spending, in millions | Maximum additional state spending, in millions |
|---|---|---|
| 1990 | $ 5.0* | $ 5.0* |
| 1991 | 523.0* | 523.0* |
| 1992 | 595.8** | 663.7** |
| 1993 | 773.3 | 1,049.0 |
| 1994 | 1,017.9 | 1,650.4 |
| 1995 | 1,306.2 | 2,452.7 |
| TOTAL | $4,221.2 | $6,343.8 |

* Based on 1990-91 legislative appropriations.
** Figures for 1992 include TRS costs for both 1991 and 1992 because 1991 TRS payments will be made in 1992.

SOURCE: Legislative Budget Board.

Providing equity will require a substantial and continuing financial commitment from the state.

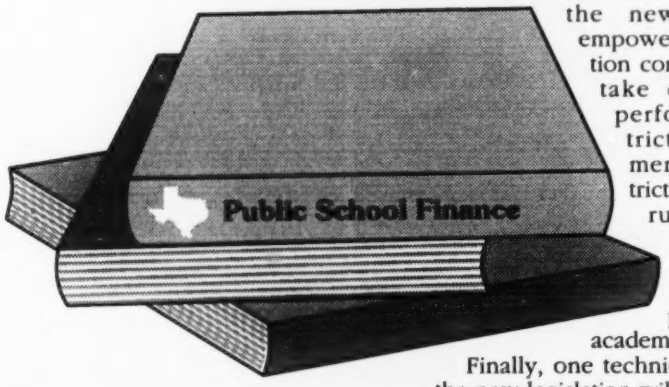
sure the academic performance of Texas schools. Beginning in the 1991-92 school year, Texas students in the fourth, sixth, eighth and tenth grades will be given standardized, nationally-recognized achievement tests. These tests are designed so that the performance of Texas' schoolchildren can be compared directly to students in other states, as well as between individual districts.

Another provision requires school districts to issue an annual "report card" to parents showing how the district compares to similar districts around the state on factors like test scores and dropout rates.

### Less red tape

Other new measures are intended to free districts from red tape and over-regulation by state authorities. For instance, the bill eliminates all State Board of Education rules for local districts except those governing curriculum by 1993, unless the board specifically re-adopts them. This requirement attempts to eliminate dated or unnecessary rules.

Similarly, districts receiving the highest rating of "exemplary" under the school accreditation process will be exempted from many state rules and regulations.




On the other hand, the new bill also empowers the education commissioner to take over poorly performing districts, and to merge such districts with better-run neighboring districts for the purpose of improving their academic programs.

Finally, one technical change in the new legislation will require local school districts to count attendance differently. Presently, school attendance counts are based on the best four weeks of scheduled periods in the fall and spring. SB 1 will require these counts to be based on monthly averages of daily attendance.

Many educators believe this change will lower average attendance figures for a number of school districts; and since these counts are used to calculate state aid, the districts' finances may also be affected. In anticipation of this, SB 1 limits the aid reduction any district may suffer due to the new counting method to 2 percent in the 1990-91 school year. Losses in subsequent years will not be limited.

### SB 1—the price

Providing equity will require a substantial and continuing financial commitment from the state.

The Legislative Budget Board (LBB), a panel of lawmakers whose staff makes spending recommendations to the Legislature, has estimated minimum and maximum costs for SB 1. The difference between these two scenarios depends on how individual school districts react to increased state guaranteed-yield funding.

The LBB's minimum cost estimates assume that none of Texas' school districts will raise their tax rates to earn more state aid through guaranteed yield. The LBB's maximum estimates assume that all eligible school districts raise their tax rates (increase their "tax effort") to earn the maximum available state aid under the Guaranteed Yield Program.

The total estimated costs of SB 1 (including increased state Teacher Retirement System contributions and other administrative costs) would add a minimum of $4.2 billion to state expenditures during the five-year phase-in period. Maximum estimated costs could rise to $6.3 billion through 1995.

### Paying the tab

The Legislature has appropriated $528 million to fund SB 1 educa-

tional reforms in the 1990-91 state budget period.

To pay for a portion of SB 1, and to make a $100 million down payment on 1990-91 budget shortfalls in the state's health and human services programs, the Legislature approved three tax increases.

A quarter-cent increase in the state sales tax, from 6 to 6.25 percent, became effective on July 1, 1990. The tax increase will generate $303.4 million in 1990-91.

The Legislature also increased the cigarette tax by 15 cents, from 26 to 41 cents per pack of 20; this change took effect on July 1. At the same time, the gross receipts tax on mixed drinks rose from 12 to 14 percent. Together, these two changes will bring in another $208 million in the 1990-91 budget period.

Additional funds for educational reforms will come from a $42.4 million appropriation from Texas' Economic Stabilization Fund, or "rainy day" fund, $14.7 million in minor fee increases and $59.5 million in cuts in other areas of the state budget.

### 1992 and beyond

Since the current Legislature can only make appropriations for the 1990-91 biennium, the emergency funding measures adopted to pay for SB 1 only apply to its costs in 1990-91. The next legislative session beginning in January 1991 will consider ways to pay for SB 1 reforms during the 1992-93 budget period—costs the LBB estimates at $1.4 billion to $1.7 billion.

## Revenue and Spending

The sixth special session of the Texas Legislature passed 1990-91 revenue and spending measures.

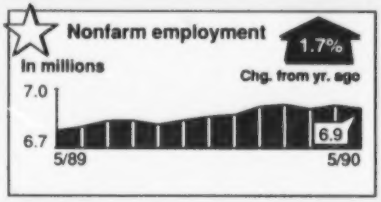
| | (In millions) |
|---|---|
| **Spending** | |
| SB 1 appropriations | $528.0 |
| Health & human services shortfall payments | 100.0 |
| **Total** | $628.0 |
| | |
| **Revenue** | |
| Budget cuts | $59.5 |
| "Rainy day" fund appropriation | 42.4 |
| Fee increases | 14.7 |
| Sales tax increase | 303.4 |
| Cigarette tax increase | 182.3 |
| Mixed drinks gross receipts tax increase | 25.7 |
| **Total** | $628.0 |

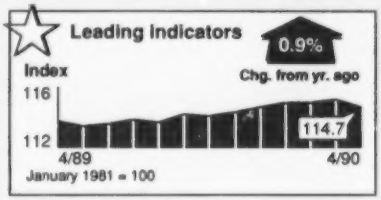
SOURCE: Bob Bullock, Texas Comptroller of Public Accounts.

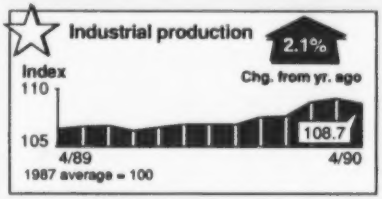
# Texas stats: *Roundup of economic data*

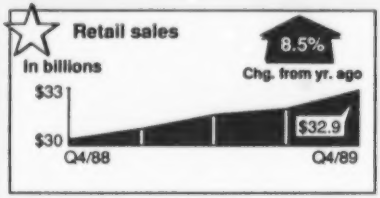
## Lone Star 5 ☆☆☆☆☆

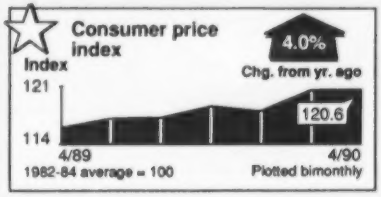
Charted here are five top statistical indicators that reveal Texas' economic status for the past year. Below, additional charts show other pertinent data; a table summarizes production/consumption of six commodities.

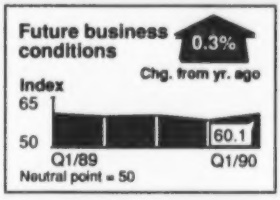


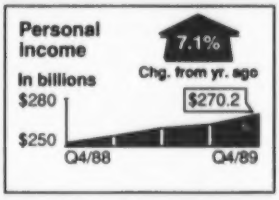



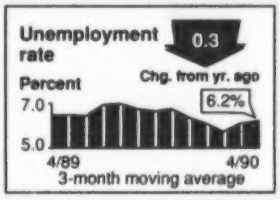



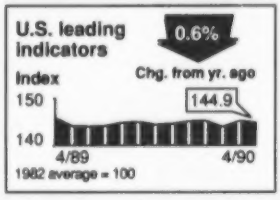



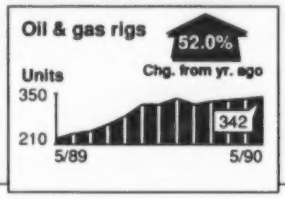



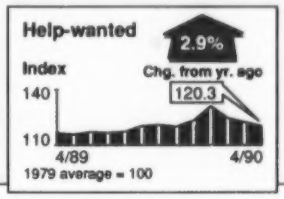



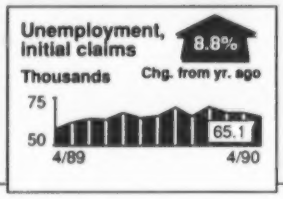



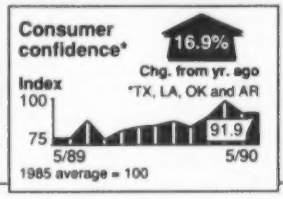




## Texas production and consumption indicators

(Amounts in millions)

| Date | Crude oil Barrels | Crude oil Value | Natural gas Thousands of cubic feet | Natural gas Value | Motor fuel Gallons Gasoline | Motor fuel Gallons Diesel | Cement Tons | Auto sales net value (estimated) | Cigarette pkgs. taxed |
|---|---|---|---|---|---|---|---|---|---|
| 1985 | 842.0 | $22,539.3 | 5,716.3 | $12,361.8 | 8,460.9 | 1,782.3 | 10.89 | $18,182.8 | 1,819.2 |
| 1986 | 771.3 | 11,356.3 | 5,325.2 | 7,954.0 | 8,609.0 | 1,542.7 | 9.37 | 16,704.6 | 1,764.0 |
| 1987 | 718.3 | 12,605.1 | 5,194.7 | 6,860.9 | 8,297.5 | 1,496.3 | 8.33 | 15,520.9 | 1,682.3 |
| 1988 | 691.4 | 10,170.7 | 5,242.8 | 7,410.0 | 8,419.8 | 1,477.2 | 7.47 | 16,078.9 | 1,588.0 |
| 1989 | 643.9 e | 11,483.8 e | 5,082.7 e | 7,404.7 e | 8,463.6 | 1,571.4 | 7.12 | 17,391.4 | 1,484.1 |
| **Last** | **— 5/89 - 4/90 —** | | **— 2/89 - 1/90 —** | | **——— 5/89 - 4/90 ———** | | | | **6/89 - 5/90** |
| **12** | 55.8 | 1,033.1 | 400.3 | 614.8 | 735.8 | 126.9 | 0.62 | 1,594.6 | 135.9 |
| **months** | 53.3 | 977.1 | 435.7 | 605.6 | 728.2 | 139.2 | 0.62 | 1,615.8 | 136.2 |
| | 54.3 | 995.3 | 415.3 | 564.8 | 717.3 | 125.4 | 0.63 | 1,556.7 | 153.2 |
| | 54.7 | 916.6 | 426.3 | 605.4 | 768.6 | 135.5 | 0.67 | 1,618.0 | 87.2 |
| | 52.3 | 923.7 | 406.1 | 584.8 | 692.7 | 137.1 | 0.62 | 1,559.8 | 131.7 |
| | 53.9 | 989.5 | 413.8 | 595.9 | 710.9 | 140.1 | 0.69 | 1,485.7 | 115.9 |
| | 51.9 r | 940.2 r | 420.2 | 588.3 | 700.7 | 128.6 | 0.60 | 1,290.1 | 113.7 |
| | 50.7 e | 963.1 e | 402.4 | 543.2 | 733.8 | 136.2 | 0.45 | 1,284.8 | 135.2 |
| | 53.1 e | 1,095.2 e | 427.0 r | 572.2 r | 681.3 | 125.7 | 0.56 | 1,400.3 | 108.1 |
| | 47.0 e | 950.7 e | 434.0 e | 625.0 e | 642.4 | 120.6 | 0.50 | 1,364.3 | 122.4 |
| | 51.8 e | 973.5 e | 456.7 e | 758.1 e | 739.6 | 146.1 | 0.56 | 1,481.4 | 114.5 |
| | 49.9 e | 843.9 e | 455.9 e | 880.0 e | 703.0 | 128.2 | 0.57 | 1,553.8 | 143.2 |

Notes: Crude oil and natural gas show taxable production and net taxable value for the production month. Auto sales estimates are calculated from motor vehicle taxes that include taxable transactions in addition to the sale of new or used motor vehicles.
e - estimated, r - revised

**SOURCES:**

**Texas Comptroller's Office**
Retail sales; Leading Indicators Index; Help-Wanted Index; Index of Future Business Conditions

**Texas Comptroller's Office and Texas Employment Commission**
Nonfarm employment; Unemployment initial claims

**Federal Reserve Bank of Dallas**
Industrial Production Index

**Texas Comptroller's Office and U.S. Bureau of Labor Statistics**
Consumer Price Index

**U.S. Bureau of Labor Statistics**
Unemployment rate

**Hughes Tool Co.**
Oil/gas rig count

**Texas Comptroller's Office and The Conference Board**
Consumer Confidence Index

**U.S. Bureau of Economic Analysis**
U.S. Leading Indicators Index; Personal income

Note: All figures are seasonally adjusted, except for the rig count and the Index of Future Business Conditions. All figures are monthly except for retail sales, personal income and the Index of Future Business Conditions, which are quarterly, and the Consumer Price Index, which is bimonthly for Texas.

## May cash condition [1]

| (Amounts in millions) Preliminary* | General revenue | Special funds | Total cash |
|---|---|---|---|
| Beginning balance May 1, 1990 | $ 982.9 | $3,450.6 | $4,433.5 |
| Revenue/expenditures | | | |
| Revenue | 1,298.4 | 1,219.8 | 2,518.2 |
| Expenditures | -577.0 | -1,606.6 | -2,183.6 |
| Net income (outgo) | 721.4 | -386.8 | 334.6 |
| Net interfund transfers and investment transactions | -864.2 | 946.8 | 82.6 |
| Total transactions | -142.9 | 560.0 | 417.1 |
| End cash balance May 31, 1990[2] | $ 840.0 | $4,010.6 | $4,850.6 |

[1] Cash stated is Comptroller's Office Book Cash and may vary from cash deposited with the Treasury. Net amounts shown (less refunds) exclude some transactions not cleared through the Comptroller's Office. Suspense and Trust Funds are included as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.
[2] The ending General Revenue Fund balance includes $250.0 million derived from the sale of cash management notes and $150.0 million borrowed from other state funds.

## State revenue/all funds [1]

| (Amounts in millions) Preliminary* | Monthly revenue | Year-to-date Sept. '89—May '90 | |
|---|---|---|---|
| | May 1990 | Revenue | % change from last FY[4] |
| **■ Tax collections by major tax** | | | |
| Sales tax | $ 735.5 | $ 5,598.6 | 9.0% |
| Oil production tax | 35.4 | 397.9 | 14.2 |
| Natural gas production tax | 53.3 | 431.4 | -10.6 |
| Motor fuels taxes (gasoline, diesel, LPG) | 119.8 | 1,121.4 | 0.6 |
| Motor vehicle sales/rental and manufactured housing taxes | 104.5 | 791.6 | 9.2 |
| Franchise tax | 1.8 | 666.5 | -0.6 |
| Cigarette and tobacco taxes | 39.0 | 294.4 | -6.0 |
| Alcoholic beverages taxes | 26.9 | 245.5 | 3.6 |
| Insurance occupation tax | 57.1 | 393.2 | 1.8 |
| Utility taxes[2] | 42.5 | 139.3 | 4.7 |
| Inheritance tax | 8.9 | 100.0 | 26.1 |
| Hotel and motel tax | 17.5 | 83.5 | 8.4 |
| Other taxes[3] | 1.1 | 13.0 | -37.5 |
| **Total tax collections** | $1,243.5 | $10,276.3 | 5.7% |
| **■ Revenue by receipt type** | | | |
| Tax collections (see above) | $1,243.5 | $10,276.3 | 5.7% |
| Federal income | 509.1 | 4,316.2 | 16.5 |
| Interest and investment income | 471.3 | 2,738.7 | 11.7 |
| Licenses, fees, permits, fines and penalties | 171.1 | 1,153.9 | 5.4 |
| Employee benefit contributions | 7.2 | 61.6 | 11.4 |
| Sales of goods and services | 23.6 | 177.2 | 0.7 |
| Land income | 19.6 | 198.0 | -2.8 |
| Other revenue sources | 72.8 | 354.7 | 38.4 |
| **Total net revenue** | $2,518.2 | $19,276.5 | 9.1% |

[1] Excludes some revenue not cleared through the Comptroller's Office. Totals may not add due to rounding.
[2] Includes the utility, gas utility administration and public utilities gross receipts taxes.
[3] Includes the cement and sulphur taxes and other occupation and gross receipts taxes not separately identified.
[4] Due to accounting changes, some percentages are based on different data than reported in the last fiscal year.

## State expenditures/all funds [1]

| (Amounts in millions) Preliminary* | Monthly expenditures | Year-to-date Sept. '89—May '90 | |
|---|---|---|---|
| | May 1990 | Expenditures | % change from last FY[2] |
| **■ By object** | | | |
| Salaries and wages | $ 388.2 | $ 3,477.0 | 10.1% |
| Employee benefits/teachers retirement contributions | 200.5 | 1,771.5 | 21.3 |
| Supplies and materials | 39.9 | 325.5 | 8.0 |
| Public assistance payments | 366.6 | 3,015.9 | 25.5 |
| Intergovernmental payments | | | |
| Foundation school program grants | 601.7 | 4,053.6 | 0.4 |
| Other public educ. grants | 108.8 | 842.5 | 3.0 |
| Grants to higher education | 59.8 | 496.7 | 29.9 |
| Other grants | 45.9 | 411.7 | 23.6 |
| Travel | 8.7 | 68.7 | 20.9 |
| Professional service and fees | 15.2 | 108.8 | -17.6 |
| Payment of principal/ debt service | 11.3 | 196.7 | -37.3 |
| Payment of interest/ debt service | 64.7 | 287.1 | -4.9 |
| Highway construction and maintenance | 152.2 | 1,322.8 | -4.0 |
| Capital outlay | 34.5 | 297.9 | -11.8 |
| Repairs and maintenance | 7.7 | 79.4 | 7.4 |
| Communication and utilities | 26.7 | 234.7 | 7.7 |
| Rentals and leases | 8.9 | 76.9 | 6.9 |
| Claims and judgments | 4.0 | 27.3 | 43.6 |
| Cost of goods sold | 6.8 | 66.3 | -8.5 |
| Printing and reproduction | 1.8 | 15.8 | 4.1 |
| Other expenditures | 29.6 | 298.1 | 35.3 |
| **Total net expenditures** | $2,183.6 | $17,475.1 | 6.6% |
| **■ By function** | | | |
| General government | | | |
| Executive | $ 90.8 | $ 702.1 | 19.5% |
| Legislative | 4.7 | 41.8 | 4.7 |
| Judicial | 6.3 | 54.1 | 25.5 |
| **Subtotal** | 101.9 | 798.0 | 19.0 |
| Human services | 372.6 | 3,035.4 | 23.1 |
| Health | 113.6 | 1,037.4 | 14.5 |
| Public safety and corrections | 82.8 | 762.7 | 20.5 |
| Transportation | 62.2 | 561.5 | 5.3 |
| Natural resources/ recreational services | 20.0 | 185.7 | 10.9 |
| Education | 972.2 | 7,321.1 | 4.9 |
| Regulatory agencies | 13.7 | 117.8 | 7.7 |
| Employee benefits | 198.5 | 1,591.8 | 19.9 |
| Debt service | 63.8 | 426.4 | -49.4 |
| Capital outlay | 182.4 | 1,637.4 | -6.7 |
| **Total net expenditures** | $2,183.6 | $17,475.1 | 6.6% |

[1] Excludes some expenditures not cleared through the Comptroller's Office. Totals may not add due to rounding.
[2] Due to accounting changes, some percentages are based on different data than reported in the last fiscal year.

* Totals are correct; however, some expenditures may be reclassified in the cash-basis annual report.

SOURCE: Bob Bullock, Comptroller of Public Accounts, Fund Accounting/Financial Reporting Section.

Texas at a Glance

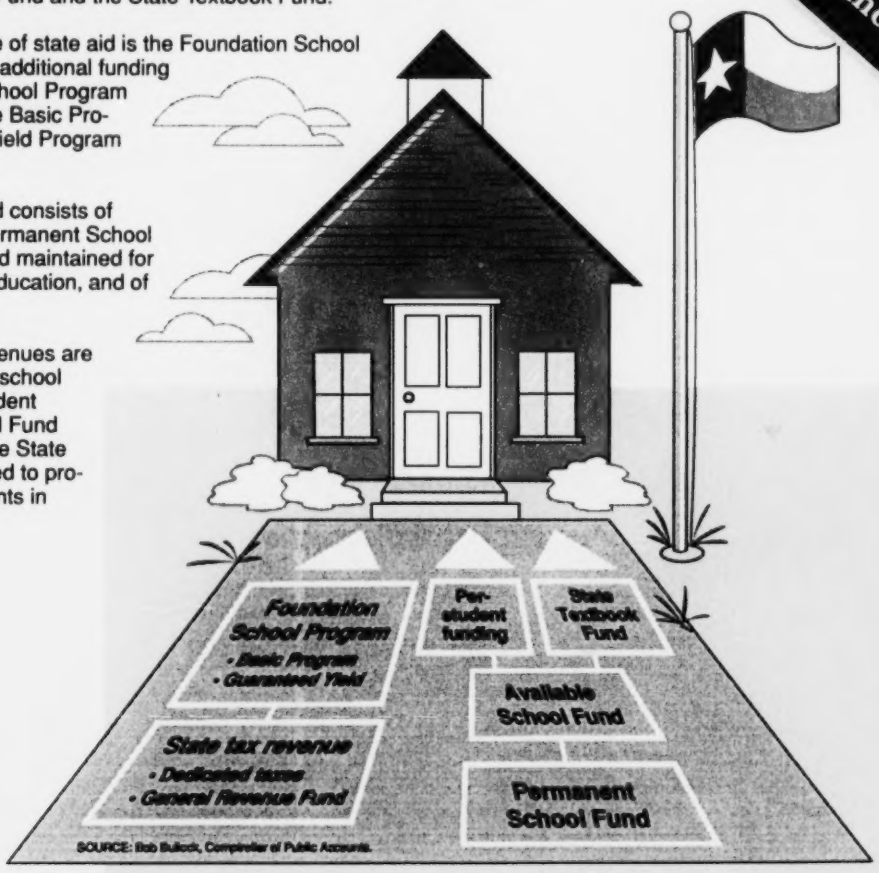
## How State Funds Flow to Texas' Public Schools

The three vehicles for state support of public education are the Foundation School Program, the Available School Fund and the State Textbook Fund.

The most important source of state aid is the Foundation School Program, which will receive additional funding under SB 1. Foundation School Program aid is distributed through the Basic Program and the Guaranteed Yield Program described in this report.

The Available School Fund consists of earnings from the state's Permanent School Fund, a $7.1 billion trust fund maintained for the benefit of Texas public education, and of dedicated tax revenues.

Available School Fund revenues are primarily distributed to local school districts on a simple per-student basis. The Available School Fund also provides revenue for the State Textbook Fund, which is used to provide free textbooks to students in Texas public schools.





**FISCAL NOTES**

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